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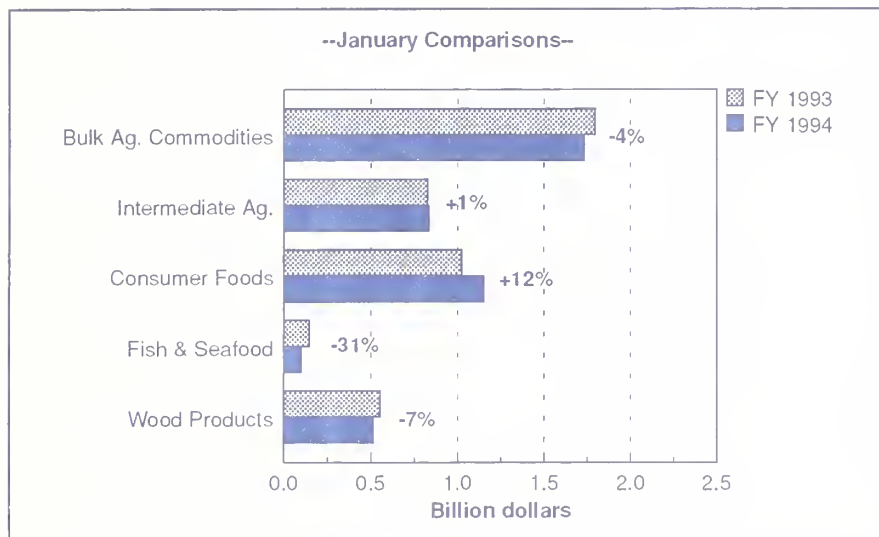
Circular Series

ATH 3 94  
March 1994

# Agricultural Trade Highlights

## Exports Reach \$4.3 Billion in January

*Double-Digit Gains Continue for Consumer Foods*



January trade statistics released on March 22 by the Commerce Department placed U.S. *agricultural, fish and wood product* exports at \$4.3 billion, a 1-percent decrease compared to the same month last year. Agricultural exports were \$3.7 billion, or two percent higher than last year. Fish and wood product sales totaled \$622 million in January, down 12 percent from the same month last year.

Agricultural, fish and wood product exports totaled \$18.5 billion for the first four months of fiscal 1994, which equals last year's record setting pace. So far this year, lower bulk commodity sales have been offset by increased intermediate and consumer-oriented agricultural exports. Exports of fish and wood products were both down compared to the same period last year.

At \$1.7 billion in January, exports of *bulk commodities* fell four percent from the same month last year. Decreased corn, soybean and wheat sales swamped gains for cotton and rice. Bulk exports reached \$6.9 billion for

the first four months of fiscal 1994, or five percent less than the same period last year.

Exports of *intermediate products* reached \$841 million in January, or one percent ahead of the same month last year. Increased exports of wheat flour, animal fats, live animals and planting seeds offset declines in soybean meal and animal feeds. Intermediate product exports reached \$3.3 billion for the first four months of fiscal 1994, up two percent from the same period last year.

Exports of *consumer-oriented products* reached \$1.2 billion in January, or 12 percent ahead of the same month last year. Gains were broad-based with shipments rising in 14 of the 16 major product groups. Exports of snack foods, prepared and preserved red meats, poultry meat, fresh fruit, tree nuts, wine and beer and pet foods registered double-digit gains over previous year levels. Consumer food exports totaled \$5.3 billion for the first four months of fiscal 1994, up eight

percent from the same period last year. This category appears headed for a new record high this year.

At \$104 million in January, U.S. *fish and seafood* exports were down a dramatic 31 percent from the same month last year due to weaker Japanese demand, lower U.S. salmon and surimi prices and a reduced U.S. crab catch. Declines were broad-based with shipments suffering double-digit losses in five of the six major product groups. Fish and seafood exports totaled \$676 million for the first four months of fiscal 1994, down two percent from the same period last year.

*Wood product* exports reached \$518 million in January, down seven percent from the same month last year. Increased lumber exports were unable to offset double-digit declines for logs and panel products. Wood product exports totaled \$2.2 billion for the first four months of fiscal 1994, down two percent from the same period last year.

The World Agricultural Outlook Board's agricultural export and import forecasts remain unchanged from the previous quarter's figures of \$42.5 billion and \$24.5 billion, respectively.

### Inside This Issue...

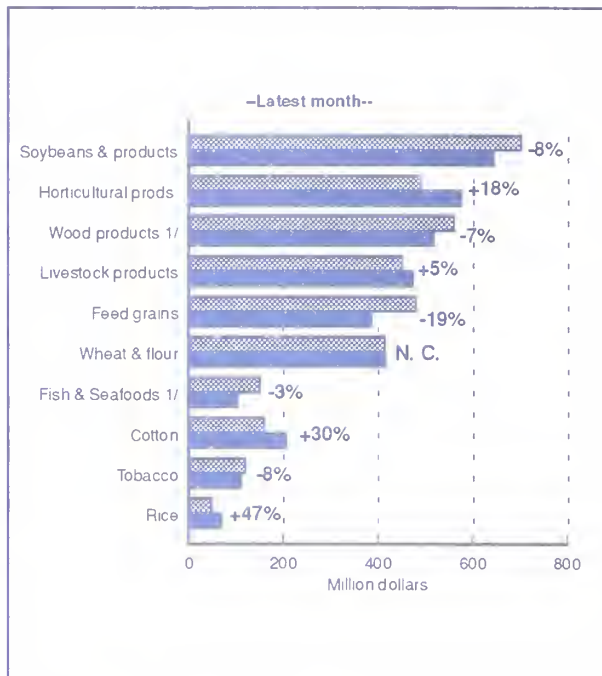
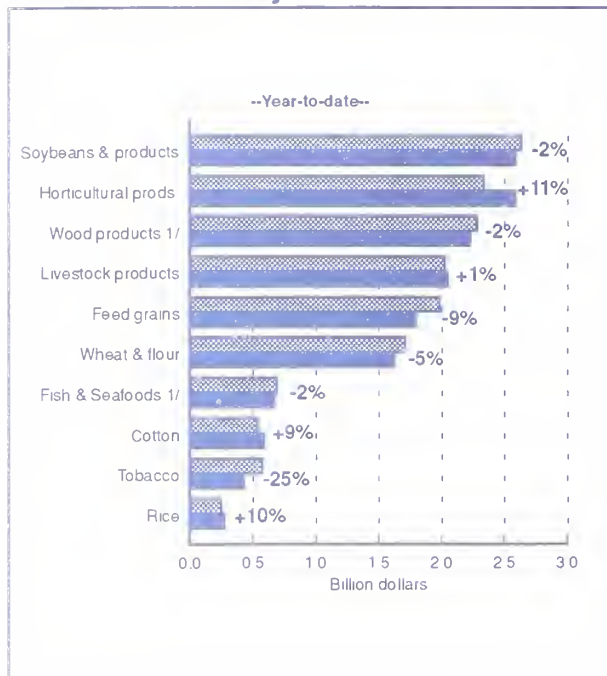
	Page
Consumer Food Highlights	3
COUNTRY SPOTLIGHT:	
South Korea	5
PRODUCT SPOTLIGHT:	
Whole Salmon, Roe, Surimi, and Canned Salmon	9
Trade Policy Updates	13
Market Updates	16
U.S. Agricultural Exports:	
By Commodity Type	20
By Commodity Group	21
By Region	22
Foreign Exchange Rates	23

# U.S. Agricultural Export Summaries

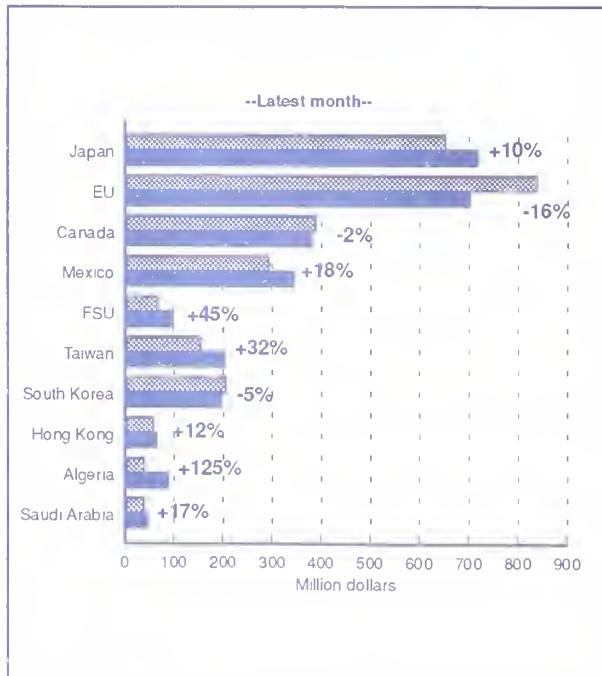
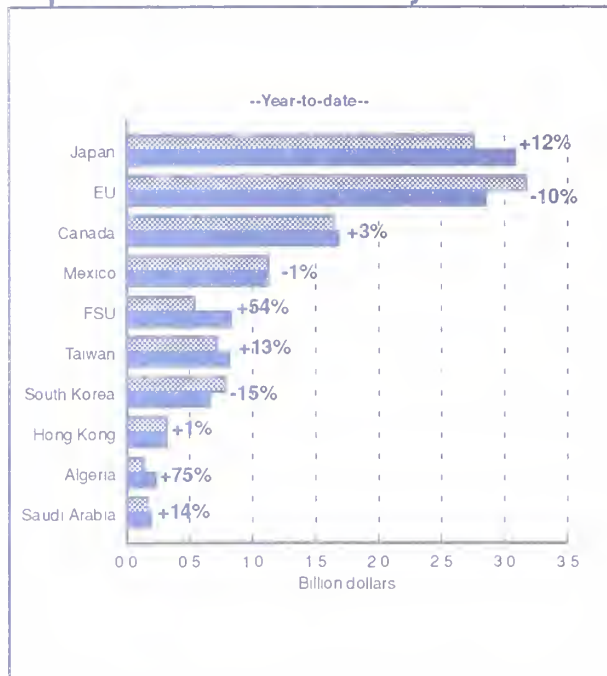
## October-January and Latest Month Comparisons

FY '93 FY '94

### Product Summary



### Top Ten Markets Summary



Note: Percentages are computed as the change from a year ago.  
1/ Not included in agricultural totals.

# Consumer Food Highlights

*Exports of consumer foods totaled \$1.2 billion in January 1994, up 12 percent from the same month last year. Gains were broadly based across most product groups, with double-digit growth for snack foods, prepared/preserved red meats, poultry meats, fresh fruit, tree nuts, wine and beer, and pet foods.*

*Chilled/frozen red meat* shipments totaled \$224 million in January, or three percent higher than year-earlier levels. Weaker horse meat and offal sales were more than offset by rising beef shipments, which were up 17 percent to \$153 million. Advancing beef sales were due to lower Mexican import tariffs and improvements in the Korean tendering system. U.S. horse meat sales were down a dramatic two-thirds due to a temporary EU ban. With respect to offals, U.S. sales totaled \$35 million, off 17 percent from year-earlier levels due to lower unit prices.

*Fresh fruit* exports grew to \$131 million in January, up a dramatic 29 percent from the same month last year. Double-digit increases in sales to Japan, Hong Kong, Taiwan and Mexico swamped a slip in sales to Canada. Most of the increase was due to higher grapefruit and apple sales. However, higher strawberry and kiwifruit prices also boosted export value. January grapefruit sales increased 21 percent to \$27 million. Apple sales rose 50 percent to \$48 million.

In January, shipments of *processed fruits and vegetables* totaled \$121 million, up six percent from year-earlier levels. With respect to product groups, dried fruit and dried vegetables achieved the largest, broad-based sales expansion. At the individual product level, frozen french fries were up 26 percent to \$14 million, prunes and raisins advanced 25 percent each to a combined \$26 million, and canned sweet corn climbed 19 percent to \$11 million.

*Poultry meat* exports reached \$89 million in January, nearly 20 percent ahead of the same month last year.

Mexico drove most of the growth with a 26-percent increase in sales. However, sales to Canada were down 20 percent. While poultry shipments to the Former Soviet Union surged to \$18 million in January, shipments have since stalled after the Russian government imposed a tariff on imported chicken meat. In January, nearly half of U.S. poultry exports sold to Russia were shipped to Siberia.

*Fresh vegetable* exports totaled \$78 million in January, up just 3 percent from the same month last year. Shipments to Canada, the largest U.S. export market, were off slightly. U.S. exports to Japan, which consisted mainly of broccoli, cauliflower, and asparagus, surged 250 percent ahead of last year's level. Broccoli sold particularly well in January because of Japan's shortage of local supply due to cold weather. The good quality of U.S. product has also been aggressively promoted by Japanese importers.

Exports of *dairy products* fell to \$66 million in January, which was 11 percent lower than the same month last year. Volatility remains a key characteristic of the global dairy trade, given the large roles that U.S. government assistance and recipient country finances play. Compared to year-earlier levels, January shipments were up 54 percent to the Russian Federation, up 248 percent to Algeria, and down 72 percent to Poland. All three were among the top eight markets in 1993.

*Pet food* sales reached \$38 million in January, up 15 percent over the same month last year. "Gourmet," dietary and other specially formulated pet foods continue to spearhead much of the sales

growth. U.S. product innovation and rising income in overseas markets continue to boost U.S. exports. The only major setback for U.S. suppliers was lower shipments to the EU, where exports were down 25 percent to \$7 million. Competition with European suppliers and weaker economies were behind this downturn.

*Fruit and vegetable juice* shipments were \$31 million in January, or virtually unchanged from year-earlier levels. Grapefruit juice sales were off by 50 percent and grape juice sales were also down, but mixed fruit juices and fortified concentrates were noticeably up. Shipments to Canada and the EU surpassed last year's level, but shipments to Japan fell.

*Wine and beer* exports rose 12 percent to \$24 million in January. Sales to Japan were off slightly mainly due to depressed wine sales. While beer exports to this single market rose to \$3.8 million in January, wine sales have taken a hard hit from the recession's negative impact on dining out in Japan. Wine and beer exports to the EU were also slightly lower. Although California wines are now well established in the U.K., other European markets such as Germany remain more difficult to penetrate due to local brand loyalty. Wine and beer exports to Canada were up 18 percent. Although prospects for wine sales are likely to remain favorable, U.S. beer exports to Canada continue to be hindered by discriminatory trade barriers.

*For more information, contact Ernest Carter at (202) 720-2922.*

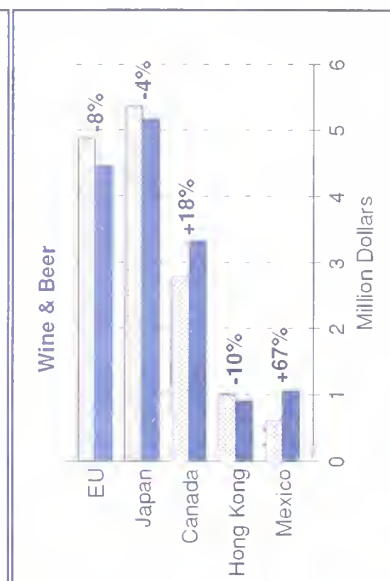
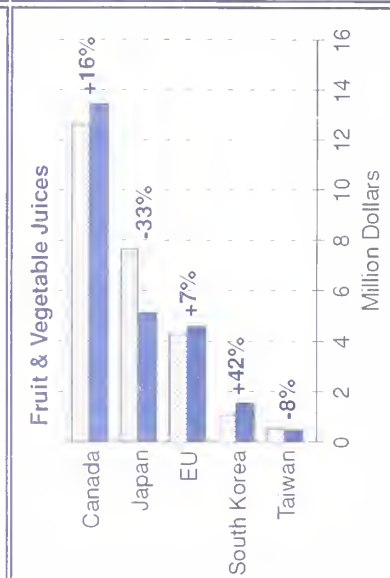
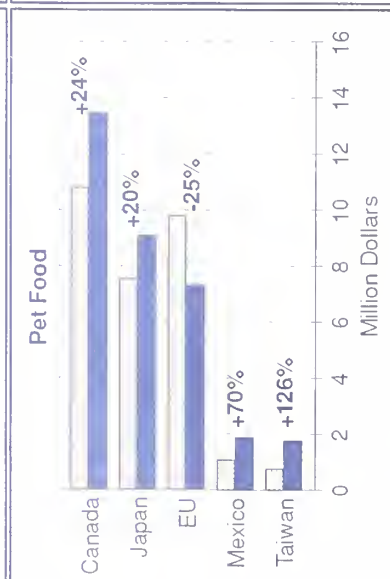
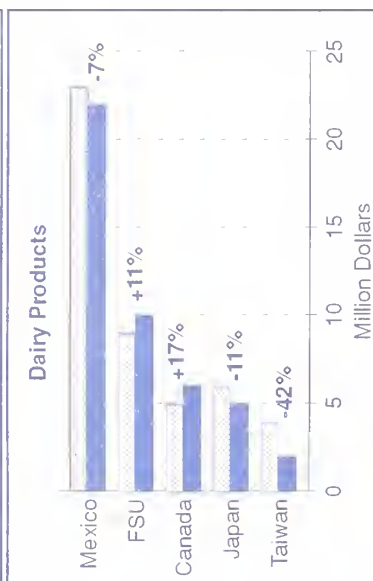
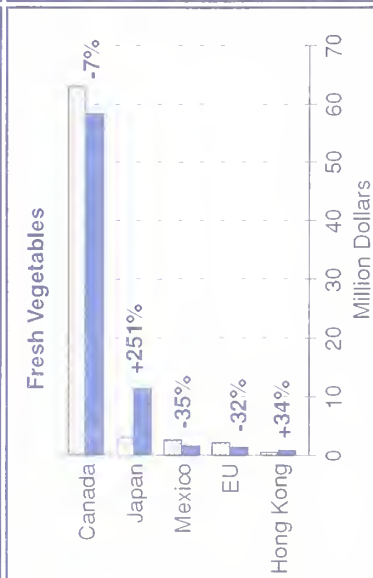
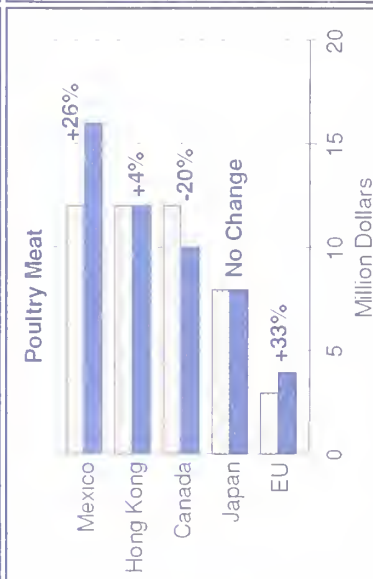
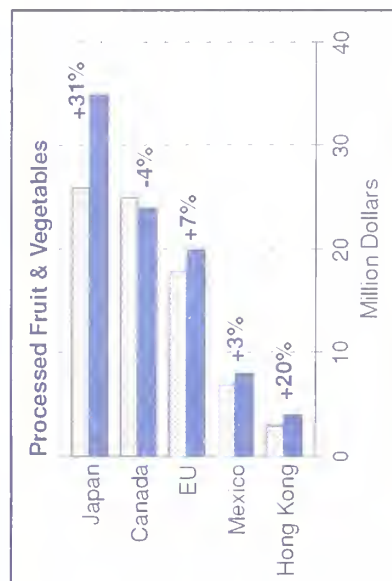
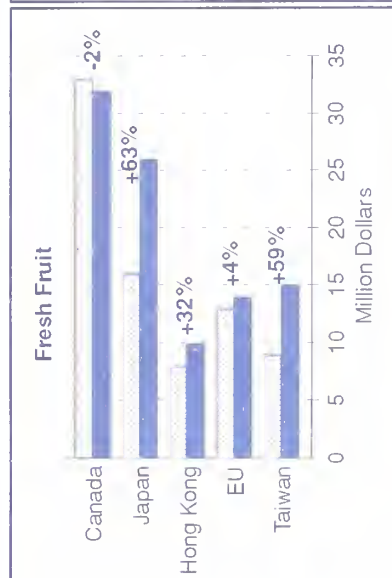
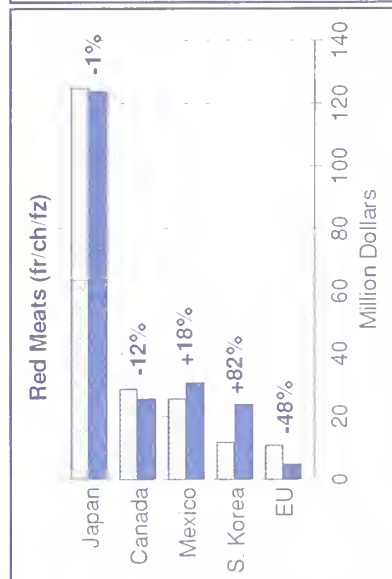


# Top Five Markets for Selected U.S. Consumer Foods

January Comparisons

CY '93

CY '94



Notes: Percentages are computed as the change from 1993 to 1994. Countries are ranked from highest to lowest.

# Country Spotlight: South Korea

*South Korea is currently the fifth largest U.S. agricultural export market, with \$1.9 billion in shipments in 1993 accounting for nearly 5 percent of U.S. global agricultural exports. While this represents a 13-percent dip from 1992, the Korean market for U.S. products has been stimulated since the latter part of last year by domestic economy recovery and trade policy developments. While U.S. exports are predominantly bulk commodities, the most promising growth opportunities appear to be high-value food products.*

The latest U.S. export picture is mixed. Overall agricultural shipments to Korea dropped 13 percent in 1993. Bulk, intermediate, and consumer-oriented categories all declined. The largest decline occurred in bulk commodities in which coarse grain shipments plunged \$155 million or 75 percent, primarily due to a loss in feed corn sales to cheaper Chinese suppliers and increased purchases of feed wheat. The outlook for bulk commodity sales in 1995 is further clouded by the proposed phase-out of USDA's GSM export credit guarantee program. In 1994, the program was budgeted at \$537 million, and used mainly for cotton and wheat.

While the United States continues to be Korea's largest bulk commodity supplier, its position has slipped in recent years from 55 percent in 1990 to

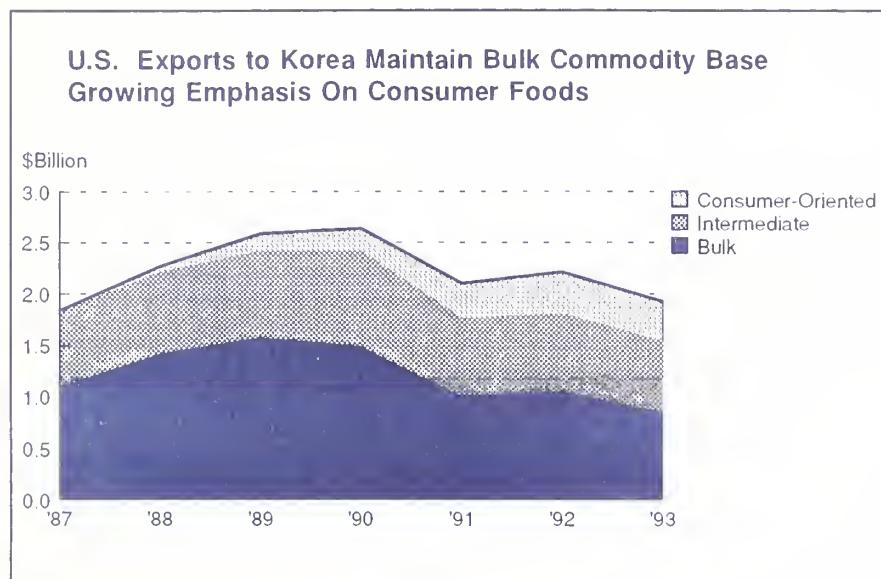
38 percent of the import market in 1992. This position is vulnerable to further downward pressure if competition from Chinese corn and Australian and Canadian feed quality wheat continue to make inroads in markets the U.S. has traditionally dominated. The situation is similar for the U.S. in Korea's import market for intermediate products. While still the largest supplier of these goods, the U.S. share has steadily fallen from 48 percent in 1986 to 35 percent in 1992. U.S. sales of intermediate products have historically been concentrated in cattle hides which are used to fuel Korea's processed leather industry. However, the movement of many low-wage jobs, such as those in the shoe industry, to lower-cost Chinese, Vietnamese, or Southeast Asian markets and increasing import competition in Korea has

resulted in a decline in both U.S. market share and export sales in Korea's hides and skins market.

## Import Mix Diversifies

Despite Korea's dependence on bulk commodity imports to sustain its agricultural industries, a noticeable shift toward consumer-oriented high-value imports has occurred over the last decade. Ironically, this is the area which the United States faces the greatest import barriers and foreign competition in Korea. The recently completed Uruguay Round Agreement of the GATT trade talks was a major stride toward improved market access for U.S. exporters (see grey box). Consumer-oriented food products accounted for 20 percent of Korea's \$7 billion agricultural import market in 1992 compared to just 5 percent in 1985, while the share of bulk commodity imports fell from 67 percent of total imports to 47 percent during the same period. Consumer-oriented and intermediate products, together, now account for the majority of U.S. exports to Korea as well as the majority of Korea's global agricultural imports.

Chilled and frozen red meats (mostly beef) are, by far, the largest U.S. consumer food export to Korea. However, a restriction on purchases of chilled and frozen U.S. beef during the first quarter of 1993 was responsible for the decline in overall U.S. consumer food exports to Korea last year. Although trade rebounded after the issue over import tenders was resolved, the United States still faces the marketing challenge of differentiating its product from grass-fed Australian meat to indiscriminate Korean consumers in the retail market. In the short-term, the U.S. is expected to continue supplying high-quality boxed-beef for the hotel and restaurant market.



# ...South Korea

## Growth In U.S. Consumer Foods

U.S. exports of other consumer food products fared well in 1993, with double-digit increases and record export levels in numerous categories. U.S. snack food exports reached a record high of \$30 million in 1993. Most of the growth was in salty snacks (i.e., popcorn and chips), but sweet snack sales maintained their value despite increased domestic production of sugar confectionery products. The U.S. also accounts for the majority of Korea's tree nut imports. U.S. tree nut exports, mainly almonds and pistachios, reached a record \$26.3 million in 1993. Both nuts are consumed as snacks as well as in confectionery and bakery products. Prospects for U.S. walnuts have improved since phytosanitary restrictions on the vacuum-packaged product were removed last year.

Fruits are popular in Korea, but imports of many types such as oranges, apples, table grapes, and pears are restricted

because of local production. Oranges are only allowed to be imported by the Korean Tourist Hotel Supply Center. Nonetheless, U.S. fresh fruit exports to Korea rose to a record \$8.6 million last year. Notable successes have been kiwifruit, grapefruit, lemons, and fresh cherries. Fruit juice imports have made relatively more headway in the Korean market. U.S. exports of fruit and vegetable juice reached a record \$28 million in 1993. While it is difficult for U.S. brands to compete against the strong advertising of local juice brands because advertising space and time is tightly controlled, good opportunities do exist for U.S. companies to supply concentrates and mixes to local producers.

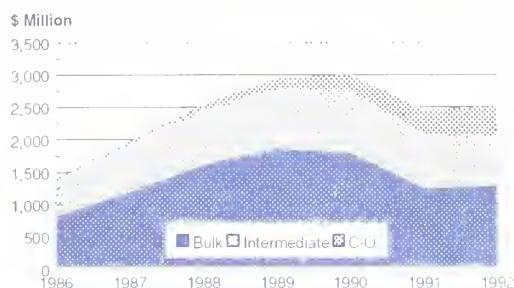
U.S. processed fruit and vegetables have enjoyed more direct access to the market, but face high tariff barriers. U.S. exports reached a record \$41.5 million in 1993, with frozen french fries continuing to lead the category. As Korea's import market continues to

liberalize, there will be also be better opportunities for high-value dairy products, prepared and preserved meats, seafood products, health foods, and mineral waters.

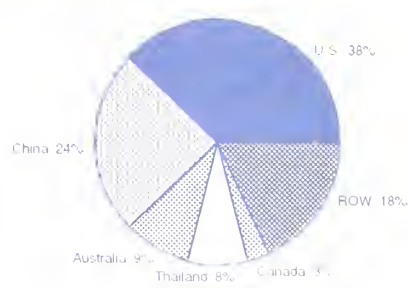
## Factors Driving Import Growth

Outside of income growth and Korea's strong economy (see grey box), a variety of other factors have influenced imports of consumer food products. The increasing number of working women (now nearly half of the female population) has boosted demand for frozen foods and other consumer-ready convenience foods. According to a government survey, nearly one-third of homes now have microwave ovens. Traditional "mom and pop" stores are being replaced by modern western-style convenience stores and supermarkets. These and western restaurant chains have introduced Koreans to many U.S. products. In fact, every major U.S. fast-food or family-style restaurant chain now has at least one outlet in

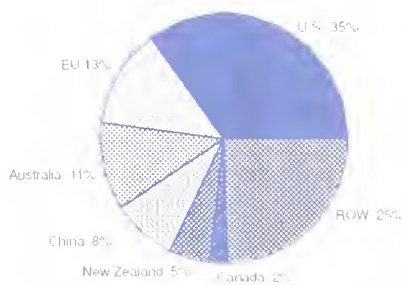
### U.S. Maintains Largest Share of Korea's Global Import Market



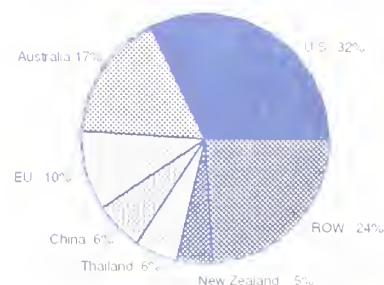
Korean Agricultural Imports



Bulk Imports\*



Intermediate Imports\*



Consumer-Oriented Imports\*

\* 1992 Market Share



Korea. Joint ventures with Korean companies, which are particularly important for fast-food franchises, and licensing agreements have commonly been used as market entry points.

The trend of internationalization and westernization of tastes and preferences is best illustrated with Korea's younger generation. A recent survey of Seoul teenagers indicated their favorite foods were fried chicken, pizza, and hamburgers, and their favorite beverages were orange juice and cola. Awareness of U.S. foods has been further reinforced by the large Korean expatriate population living in the United States and the increasing travel of Koreans to the U.S. However, some U.S. chains have adapted their menus to Korean tastes. For example, Pizza Hut adds chili sauce to one pizza and sprinkles another with barbecued beef.

USDA export promotion programs have also been used in Korea to expand market opportunities. South Korea currently accounts for 4 percent of U.S. export promotion funding, which is roughly the same as Korea's proportion of U.S. exports. China, Australia, Canada, New Zealand, and the EU to a lesser extent, also aggressively promote

### Uruguay Round Agreement Spurs Growth Opportunities

Korea agreed to liberalize a variety of agricultural imports over the next ten years in the recently completed Uruguay Round of GATT trade talks. Korea will lift its ban on rice imports with the establishment of a quota in 1995. The tariff on soybean meal and the in-quota tariff on feed corn will be reduced from an applied rate of 3 percent to 1.8 percent. The applied tariff on soybean and cottonseed oil will fall from 9 percent to 5.4 percent and on sunflower oil from 30 percent to 18 percent. The in-quota tariff on shelled peanuts will be reduced from 40 percent to 24 percent. Quotas will be established for frozen pork and chicken in 1995 and 1996, and replaced by tariffs beginning in 1997.

Tariffs on the following consumer food products are scheduled for a 40-percent reduction from their 1993 applied rates by the year 2004: almonds, walnuts, raisins, fresh cherries and prunes, frozen french fries, canned and frozen sweet corn, pork sausages, breakfast cereals, and soup and broth. Bans will be lifted on fresh apples and grape juice by 1995, fresh grapes and apple juice by 1996, and orange juice by 1997. Orange juice quotas will remain during the interim period. Bans will also be removed on popcorn, dairy preparations, fresh potatoes, and potato flour, meal, pellets, and flakes. For further information, contact the Multilateral Trade Policy Affairs Division at (202) 720-1312.

their products in Korea. Trade servicing has been identified as the promotion activity having the greatest emphasis in Korea because of the importance of personal relationships in Korean business. The Great American Food Show, the fourth solo food show sponsored by FAS/USDA, will be held in Seoul this April 19-21 at the Seoul Hilton Hotel's Convention Center.

Following the recent Uruguay Round agreement, the show could prove especially advantageous for companies new to the Korean market. For further details about the food show contact the U.S. Agricultural Trade Office in Seoul at 011-82-2-720-7921.

*For more information, contact Karen Hallibarton at (202) 690-0553.*

### Korean Economy in Upward Transition

Presently, the South Korean economy is at a crossroads. With recovery from the 1992-93 recession in full swing, Korean export performance should improve and incomes are expected to experience strong growth in the near-to-medium term. According to both Korean government and Economist Intelligence Unit projections, per capita income could reach \$12,000 by 1998, nearly double the current level. By these standards, Korea will graduate from the ranks of a newly industrialized country to join the rest of the developed world. The ASEAN-4 nations such as Indonesia and Malaysia now more appropriately wear this label than any of the original four Asian tiger economies. Recently, Korea even applied to join the Organization for Economic Cooperation and Development under U.S. sponsorship by 1996.

Korea's transition to the major leagues is likely to encounter short-term difficulties. The growth of high-wage jobs depends on the global competitiveness of Korea's flagship industries against U.S., Japanese, and EU producers. If Korea is successful and the economy continues to expand, the government could come under increasing pressure to satisfy the demands of a more affluent consumer population, prying the door open wider for U.S. consumer food exports. As long as Korea's overall merchandise balance of trade can remain positive, internal pressure opposing agricultural imports may ease. Regardless, infant industry exemptions from GATT requirements via the Balance of Payments agreement are scheduled to be phased-out for most products by 1997 and for beef and cattle by the year 2000.

# U.S. Exports of Agricultural, Fish & Wood Products to SOUTH KOREA

Calendar Years 1989 to 1994 and Year-to-Date Comparisons

(thousands of dollars)

Product	Calendar Years					January		% Chg
	1989	1990	1991	1992	1993	1993	1994	
<b>Bulk Agricultural Total</b>	1,604,445	1,513,724	1,021,484	1,069,691	858,370	102,453	85,052	-17.0
Wheat	297,903	216,230	209,486	235,288	227,603	12,534	27,696	121.0
Coarse Grains	645,274 *	604,254	177,678	203,430	48,885	13,532	326	-97.6
Rice	215	2,362	69	278	154	16	10	-37.5
Soybeans	219,999	193,814	240,018	245,821	246,554	50,265	22,348	-55.5
Cotton	428,077	480,741	356,255	346,954	294,837	24,351	31,699	30.2
Tobacco	10,918	13,689	28,706	33,688	15,165	1,468	1,726	17.6
Pulses	50	97	3,695 *	1,595	1,221	81	29	-64.2
Peanuts	199	310	406	211	798	21	47	123.8
Other Bulk Commodities	1,809	2,228	5,171	2,427	23,153 *	186	1,171	529.6
<b>Intermediate Agricultural Total</b>	799,996	892,250 *	730,520	734,476	674,013	75,300	69,433	-7.8
Wheat Flour	0	25	0	0	0	0	0	NA
Soybean Meal	0	0	0	39,492 *	9,908	9,901	0	NA
Soybean Oil	48	4	291	109	25	0	6	NA
Other Vegetable Oils	13,910	24,047 *	18,470	14,735	20,850	953	2,540	166.5
Feeds & Fodders (excl. pet foods)	7,230	11,652	12,441	13,147 *	11,671	541	1,004	85.6
Live Animals	3,456	3,968	6,457	4,781	4,777	50	53	6.0
Hides & Skins	690,249	768,460 *	595,372	567,635	541,327	53,419	57,132	7.0
Animal Fats	28,938	24,525	22,975	29,666	24,446	3,135	2,342	-25.3
Planting Seeds	3,710	3,604	4,682	6,396	7,267 *	2,473	1,725	-30.2
Sugars, Sweeteners & Bever. Bases	1,891	3,002	16,248 *	4,635	4,053	309	618	100.0
Other Intermediate Products	50,565	52,964	53,584	53,881 *	49,689	4,518	4,013	-11.2
<b>Consumer - Oriented Agricultural Total</b>	188,903	239,158	352,090	418,118 *	400,330	29,468	42,114	42.9
Snack Foods (excluding nuts)	18,813	21,268	25,050	28,643	30,162 *	2,031	3,225	58.8
Breakfast Cereals & Pancake Mix	876	727	398	308	618	3	96	3100.0
Red Meats, Chilled/Frozen	81,971	117,915	188,375	219,839 *	165,826	12,922	23,578	82.5
Red Meats, Prepared/Preserved	4,100	4,174	11,723 *	7,538	9,388	748	891	19.1
Poultry Meat	466	7,088	8,211	20,833 *	20,000	1,625	916	-43.6
Dairy Products	2,911	3,231	6,081	6,277	8,759 *	1,016	647	-36.3
Eggs & Products	225	723	847	1,376	1,415 *	136	32	-76.5
Fresh Fruit	8,585	7,910	7,336	7,656	8,630 *	584	1,232	111.0
Fresh Vegetables	151	343	1,567	215	625	28	77	175.0
Processed Fruit & Vegetables	19,066	30,168	34,331	40,750	41,492 *	3,627	3,109	-14.3
Fruit & Vegetable Juices	21,891	11,817	17,702	19,188	28,209 *	1,112	1,575	41.6
Tree Nuts	10,465	11,967	17,089	22,012	26,300 *	1,136	3,265	187.4
Wine and Beer	1,186	1,746	1,940	808	3,760 *	481	85	-82.3
Nursery Products & Cut Flowers	363 *	97	105	176	237	0	59	NA
Pet Foods, Dog/Cat	398	953	2,067	2,900	4,426 *	309	182	-41.1
Other Consumer - Oriented Products	17,437	19,032	29,269	39,600	50,486 *	3,712	3,145	-15.3
<b>Wood Products Total</b>	353,987	368,691	337,503	316,832	376,984 *	15,568	15,568	0.0
Logs	272,080	285,035 *	248,086	197,252	225,793	8,597	2,481	-71.1
Lumber	23,245	21,799	24,979	36,682	48,886 *	1,854	3,747	102.1
Plywood & Panel Products	33,197	41,803	42,370	39,417	48,612 *	3,252	3,452	6.2
Other Wood Products	25,464	20,054	22,068	43,481	53,693 *	1,866	5,887	215.5
<b>Fish &amp; Seafood Products Total (Edible)</b>	67,077	106,497	158,247 *	133,939	109,845	4,711	4,889	3.8
Salmon, Whole/Eviscerated	983	2,007	2,518	2,300	2,024	573	355	-38.0
Salmon, Canned	0	0	0	19	0	0	0	NA
Crab & Crabmeat	3,783	4,626	3,413	2,647	4,992	600	11	-98.2
Surimi (fish paste)	0	0	0	29,285 *	29,066	775	1,831	136.3
Roe & Urchin	20,425	20,515	27,361 *	17,300	3,982	80	13	-83.8
Other Edible Fish & Seafood Products	41,886	79,349	124,955 *	82,388	69,782	2,683	2,679	-0.1
<b>Agricultural Product Total</b>	2,593,344	2,645,132 *	2,104,094	2,222,285	1,932,713	207,221	196,599	-5.1
<b>Agricultural, Fish &amp; Wood Product Total</b>	3,014,408	3,120,320 *	2,599,844	2,673,056	2,419,542	227,500	217,056	-4.6

Note: (\*) Highest export level since at least 1970.

# Product Spotlight: Whole Salmon, Roe, Surimi and Canned Salmon

*Concluding a report on U.S. edible fish and seafood product exports, this product spotlight focuses on four of the largest categories which Agricultural Trade Highlights follows, namely whole or eviscerated salmon, roe and urchin, surimi and canned salmon. Together, U.S. exports of these products have approached \$1.5 billion in calendar 1993, up from an estimated \$825 million in 1987. While Japan remains the top market for whole and eviscerated salmon, roe and urchin, and surimi, the United Kingdom is the number one destination for U.S. canned salmon.*

## Whole or Eviscerated Salmon Exports

U.S. exports of whole or eviscerated salmon ranged between \$425-\$825 million between 1987 and 1993, with an erratic but generally downward trend over this period. Sales crested at \$826 million in 1988, and hit a low of \$437 million in 1991. The lackluster performance of U.S. exports over this period was primarily due to increased world supply of salmon that has outpaced world demand, resulting in lower prices. The rapid growth of farm salmon production in countries like Norway and Chile has been a key factor contributing to this imbalance.

Almost 83 percent of U.S. salmon exports of \$583 million went to Japan in 1993, with shipments to Canada and France at \$45 million and \$26 million, respectively. Frozen sockeye salmon

accounts for the bulk of export shipments at \$428 million, fresh salmon sales account for \$48 million, and all other forms of frozen salmon exports are valued at \$107 million.

Looking at this year's prospects, the Japanese salmon market is very recently showing some signs of improvement, which is good news for U.S. exporters waiting to turn the corner on a difficult 1993. Aggressive buying of Chilean coho salmon, a stronger yen, and slightly higher sockeye salmon prices may be signs that the depressed Japanese salmon market is ready to pick up the pace. Steady consumption in the later part of 1993 resulted in carryover stocks not as high as initially expected. And salmon prices have been firming in the past few weeks as buyers reassess supplies before the next Alaskan season.

An overview of the Japanese market shows the following characteristics: a consumer-led preference for certain species, a strong receptiveness for salmon in the basic diet, and limited potential for increasing overall per capita consumption. Japan primarily imports frozen sockeye and coho salmon, and to a lesser extent, smoked chinook salmon.\*

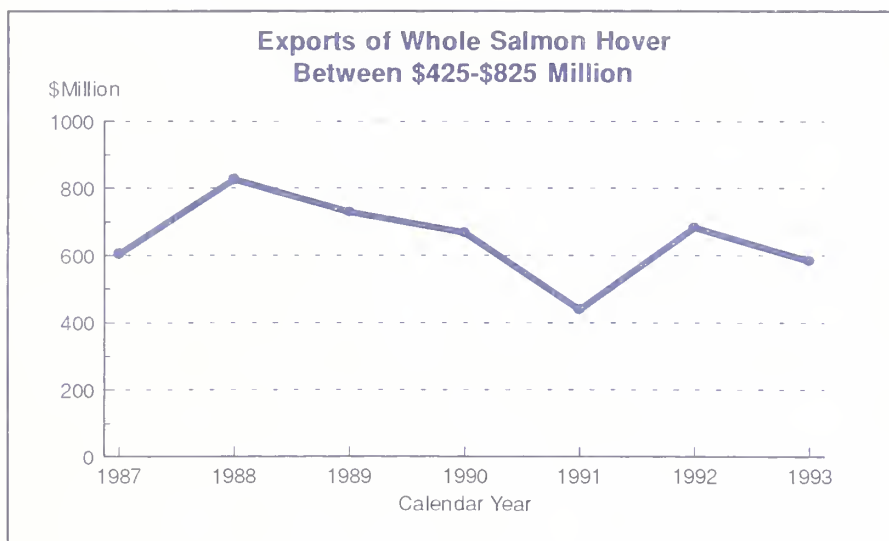
Consumer surveys indicate that about 37 percent of respondents eat salmon at least once a week, with 20 percent enjoying it 2-3 times a week. Although 46 percent of respondents indicated that their annual consumption of salmon and salmon products has increased over the past 2-3 years, most experts believe that greater gains in future consumption may come in non-seafood protein categories, such as meats.

Besides the U.S., Japan buys salmon from Russia, New Zealand, Norway and Canada. The U.S. is the largest supplier by far, but it has lost market share due to the proliferation of aquaculture in third countries and the advent of Russian production.

Alaska's industry panel sees significant challenges in the future. They include: (1) increased world salmon production; (2) increased costs of wild salmon production versus farmed; (3) competition from other proteins; (4) inconsistent supply, quality and shelf-life of wild salmon; (5) no pinbone removal technology; (6) insufficient market knowledge; and (6) a shift in consumer preferences to convenience-style foods, particularly in Japan.

Clearly, the answer to at least some of the problems faced by U.S. salmon exporters lies in improving quality, developing more sophisticated products, and more effective marketing. Product promotion and product differentiation is viewed by the U.S. industry as critically important to distinguish wild-caught from competitors' farmed product.

\*Smoked salmon is not included in the category of "whole or eviscerated salmon."





## ...Whole Salmon, Roe, Surimi and Canned Salmon

In some cases, U.S. firms and cooperators have tackled the Japanese market directly. For example, the promotion efforts of the Alaska Seafood Marketing Institute (ASMI) have gone a considerable distance in meeting the marketing challenge. For more than four years, ASMI has been concentrating on retail merchandising and in-store demonstrations of U.S. salmon in Japan, aided by funding from the U.S. government's Market Promotion Program (MPP). ASMI focuses on one locale at a time, picking a city with lower than average salmon consumption. Although Japanese traditionally eat salted salmon, ASMI sets up demonstrations and sampling of Western-style salmon dishes in order to convey the versatility of salmon.

The response to in-store promotions and sampling has been excellent. One measure of success is the gain in subsequent sales, which have increased as much as 1,000 percent on occasion. Due to shoppers' enthusiasm, ASMI is now printing a third volume of recipes entitled "Let's Cook Alaska Salmon." And past successes have yielded confidence to explore new channels, such as a food service promotion for 'Alaska Salmon Pizza' which was introduced this past year and has so far done extremely well.

ASMI has also made use of television to deliver its message. TV ads have been used to add a 15 second "trailer" touting Alaskan salmon to the end of a grocery store's general theme commercial. In some instances, this trailer is free to ASMI.

### Roe and Urchin Exports

The performance of U.S. exports of roe (fish eggs) and urchin has been stellar, rising from \$136 million in 1987 to a record high of \$421 million in 1992, before dropping slightly in 1993. The 206-percent increase of 1987-1992 is explained by an insatiable demand for roe in Japan, where such products are luxury edibles. Although the price tag is high--processed urchin roe from the coast of Maine can sell for between \$10 to \$40 a pound--Japanese demand for

these delicacies has not let up. However, exporters report an increasing interest in industrial versus premium grades of roe more recently, no doubt due to the recession.

The most widely consumed types of fish eggs in Japan are salmon and pollock roe, both of which are used raw in *sushi*, and herring roe, which is always further prepared. Pollock and herring roe are sometimes boiled, steamed or salted. Pollock roe is sometimes pickled with chili pepper, smoked, or dried and salted and sprinkled over rice.

Salted roes are popularly sold as gift packs, the demand for which peaks during the Japanese holidays. However, the goodwill obtained is at considerable expense; one family box of herring roe might retail for as much as \$100.

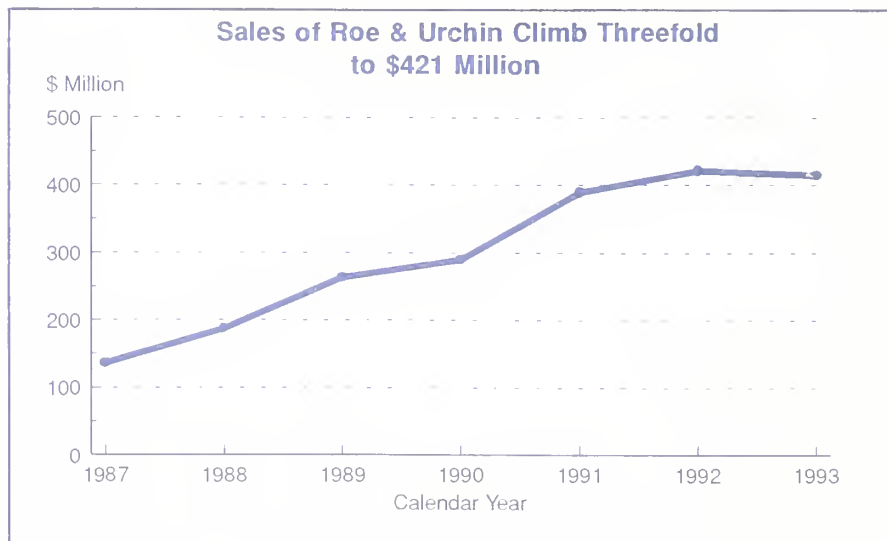
The packaging of roe can be quite complex and for some products, it is an art. Pollock and herring roe is block frozen and shipped, but salmon roe takes more effort to package since freezing takes it down to industrial grade. (Industrial roes are ungraded, contain a wide range of egg maturities, and would not meet the traditional uses of roe.) Thus Japanese expertise is often involved in salmon roe processing. One U.S. trader advised that in order to receive the maximum price, an exporter must perform special

grading, and possibly bring in Japanese technicians to approve the product before shipment.

For sea urchins, a prickly, obscure cousin of the starfish, both the roe and the animal is sold in Japan. Like most fish roes, the meat of the urchin is used in *sushi*. Japanese also prepare salted urchin with *sake* flavoring, and eat this with rice as an appetizer for liquor.

The jump in U.S. sales of urchin, which approached \$110 million in 1993, has spawned new, localized export industries. The "gold rush" in Maine sea urchin harvesting is an example of the urchin boom taking place across the U.S. During the cold winter months divers and fishermen flock to the coast of Maine to scoop urchins off the underwater rocks. The urchin industry has grown so rapidly there that in 1993, almost 27 million pounds of urchin were harvested, up from 1.4 million pounds in 1987. Until two years ago, most urchin was shipped live to Japan, but now at least six major urchin processors based in Portland help to capture a higher portion of the value-added here on U.S. soil.

Companies like Fuji Investment USA Inc. are typical of the U.S. urchin processing business, where Japanese knowledge of production as well as ties to Tsukiji, the wholesale fish market in Tokyo, help firms capture a premium.





# ...Whole Salmon, Roe, Surimi and Canned Salmon

The mix of competitors in the Japanese market varies by product. Canadian firms are the most competitive with U.S. firms in the Japanese herring roe market. For pollock roe sales in Japan, Russian firms have come from behind in 1990 to outsell U.S. firms by a 2-1 margin recently. Meanwhile, sea urchin suppliers to Japan include the U.S., with a 65 percent share of imports in 1991, with China, Russia, Mexico, North and South Korea, and Canada supplying most of the remaining import market.

Although the U.S. industry has the potential to expand its fish roe sales to Japan, prospects for U.S. urchin sales over the medium-term are clouded by a possible supply problem due to overharvesting. The stampede to gather urchin from the East Coast may be affecting the ability of the population to replenish itself, according to the views of certain marine biologists and urchin divers. On the West Coast, strict regulations cap the number of urchin permits. Nevertheless, there has been some concern for overharvesting. In the final analysis, if resources are managed carefully, U.S. firms should continue to do well in fish roe and urchin exports to Japan.

## Surimi Exports

U.S. surimi exports topped the \$368-million mark in 1992, although they were off by roughly 18 percent in 1993, primarily because the price of surimi decreased in the second half of the year by almost half. This high level of surimi sales is particularly impressive considering U.S. firms only established a foothold abroad about a half decade ago; in 1987, U.S. surimi exports were insignificant.

Eight-five to ninety percent of all U.S. surimi exports go to Japan, although South Korea, the second largest purchaser of U.S. surimi, represents a \$25 million-plus market for U.S. firms. Surimi-based products in the Japanese vernacular are named *kamaboko*.

Surimi, which is also called fish paste, is a manufactured product which can be colored, shaped, and blended with other

ingredients to form analog seafood products. It is most widely known as the main component in imitation crab. Although surimi can be produced from different fish species, the source species for most U.S. surimi is Alaska pollock, which yields a top-grade product.

Competition in the Japanese market is fierce. The U.S. Surimi Commission estimates that the U.S. held a 20-percent market share in Japan in 1992. Foreign competitors of the U.S. include South Korea, Argentina and Russia. Other surimi-producing countries such as Thailand, Malaysia, North Korea and

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*...going through Japanese importers/dealers is in many ways like trying to sell a Chevy through a Ford dealership.*

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Indonesia also compete directly with the U.S. in Japan, but in smaller volumes and generally with non-pollock surimi. Japanese surimi imports from third countries doubled from 1990 to 1991, and continued to grow in subsequent years. Very little of this product was the high-value pollock-surimi, but the overall effect nonetheless weakened the U.S. market position. In part due to the recession, many Japanese kamaboko processors have turned to lower-cost surimi as the raw material for an increasing portion of their product mix.

Some of these countries' inroads have been achieved through joint-venture operations with Japanese fish trading firms. For example, Japanese fishing companies are involved in harvesting and processing operations for pollock in Russia, southern blue whiting in Argentina, and sea bream in Thailand.

The U.S. Surimi Commission (USSC) has a multi-pronged strategy to overcome constraints to increasing U.S. exports. Apart from alternative suppliers, constraints in the Japanese market include import quotas and other non-transparent barriers to trade, and lack of familiarity with U.S. product.

The final goal of the USSC's programs is to improve communication and develop channels of trade between U.S. at-sea producers and Japanese buyers, in order to establish long-term business relationships with end-users of surimi in Japan. In 1993, they conducted market research and generic promotion of U.S. at-sea surimi. They worked to develop direct links to the 2,800 kamaboko manufacturers via the trade press by distributing information on production estimates, quotas and other relevant data on U.S. at-sea surimi. They continue to explore the possibility of developing industry-wide at-sea grading standards.

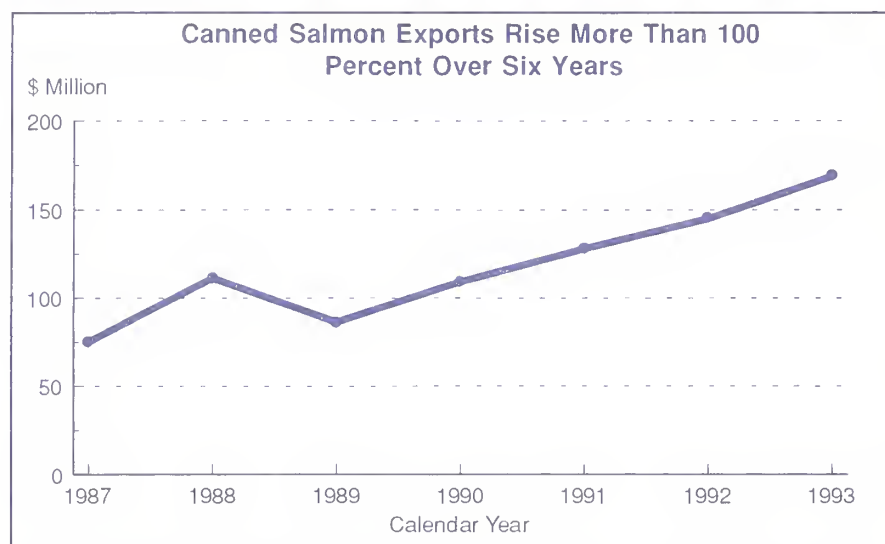
Inherent in this strategy for breaking into the Japanese market is a plan to counter certain entry hurdles such as shutouts from distribution lines. The USSC is trying to establish *direct* links to kamaboko manufacturers rather than pursuing the difficult process of promoting through Japanese importers and dealers who have their own brand of surimi to sell. This is a more viable means to launch their product because the latter situation--going through Japanese importers/dealers--is in many ways like trying to sell a Chevy through a Ford dealership.

However, given the flattening in Japan's surimi consumption, the prospects for U.S. surimi exports in the next five years are uncertain. Kamaboko consumption is stagnating in Japan due to high prices and an increase in red meat consumption. Consumer demographics are also changing. Japanese eaters are younger, less traditional, and more attracted to Western-style foods. It is hoped that the USSC's efforts to promote direct sales to buyers will give U.S. firms the opportunity to help kamaboko manufacturers produce products more appealing to Japanese consumers, thereby reversing the plateauing trend with surimi-based products.

## Canned Salmon Exports

Total U.S. exports of canned salmon exceeded \$160 million dollars in 1993, which represents an all-time high.

## ...Whole Salmon, Roe, Surimi and Canned Salmon



Unlike most other seafood products, Japan is only a minor market with 1993 shipments valued at \$1 million. Instead, U.S. overseas shipments of canned salmon go mostly to the United Kingdom. U.S. sales to this single country market rose from \$45 million to \$105 million over the 1987-1992 period, although they fell back to \$90 million last year.

Although the U.K. accounted for 56 percent of total U.S. canned salmon exports in 1993, Canada (at \$36 million) and Australia (at \$13 million) were both significant second and third ranked markets. It is no coincidence that all three major markets show a British influence in their product preferences. Canned salmon is made from the pink species of salmon, which is one of the least valuable species of all, and sometimes from sockeye salmon, which produces a top quality product.

Canned salmon has a dual image in the United Kingdom--it is both a food staple and a holiday dish. Demand for canned salmon is greatly influenced by price, and particularly its cost relative to substitutes. The recent downward retail price trend in the U.K. has gone some way to positioning canned salmon closer to canned tuna and other fish products. In fact, lower prices has helped the product attract back marginal customers. However, despite recent

drops in price, canned *sockeye* salmon is still seen as a premium price product. This, in part, has reinforced the consumer's perception of canned salmon as a food for special occasions such as Lent and Easter.

Consumer profiles indicate that canned salmon is most popular with middle-aged and older housewives. This explains the U.K. consumer's attitude towards canned salmon as an old-fashioned product with limited use outside salads and sandwiches. Indeed, if U.S. firms are going to boost U.S. canned salmon sales in this market, they must strive to raise canned salmon usage among the younger population.

Given the U.K. consumers' strong price response to canned salmon coupled with an impression of canned salmon as somewhat outdated, ASMI has focused their product promotion efforts on getting across three messages. Utilizing MPP funds, ASMI uses branded promotions to emphasize that canned salmon represents "value for price". They also spread the word that canned salmon offers cooking versatility. This is accomplished by soliciting coverage in trading publications, making recipe leaflets available in supermarkets, distributing recipe booklets to the catering press, and engaging them in pub catering training sessions. Finally, ASMI reinforces the message that U.S. canned salmon comes from Alaska, a

place consumers associate with a positive image--an untouched, wild and natural environment. ASMI brings U.K. marketing personnel to Alaska in order to directly influence the attitudes of key salespeople towards Alaska salmon, and, hence their approach to the consumer.

The efforts of industry associations such as ASMI have contributed to an improving picture in this target market. According to U.K. trade statistics of 1991, 52 percent of British canned salmon imports came from the U.S., as compared with 38 percent from Canada. This is a marked improvement over 1990 when the U.S. market share was 44 percent compared to Canada's 45 percent. The former Soviet Union with its attractive lower prices has become the third largest supplier to the U.K. market.

*For more information, contact Diane Dolinsky at (202) 720-6821 or Steve Beasley at (202) 720-1347.*

# Trade Policy Updates

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## **Austria, Finland, and Sweden Sign Accession Accord With The EU**

On March 1, Austria, Finland, and Sweden reached an agreement with the EU on accession (Norway continues to hold out on fishing rights). Accession will force significant agricultural reforms in the EFTA countries with benefits to U.S. trade. EFTA applicants are expected to accept current EU laws and regulations including the EU tariff levels. In some cases, this will benefit U.S. exporters. For example, EFTA conformity with the EU plant health regime will make exporting to Europe easier for U.S. producers. However, the adoption of the EU Hormone Ban and the Third Country Meat Directive as well as the handling of the Uruguay Round commitments are some issues which could have a negative impact on U.S. exports. In the next step of the process, the agreements will be submitted to the European Parliament for a June vote. In addition, each applicant country will hold a referendum. Positive outcomes in the Parliament and the applicant country would set the stage for accession by January 1, 1995. A full analysis of the Accession agreement will be conducted to ensure that U.S. agricultural interests are not overlooked, and in those case were problems arise, compensation negotiations under the GATT will be initiated. In 1993, U.S. agricultural exports to the EFTA countries were \$315 million (Austria - \$32 million, Finland - \$45 million, Sweden - \$151 million, and Norway - \$87 million).

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## **Japanese Consumers Give High Marks To U.S. Rice**

U.S. rice has scored very high in numerous taste tests conducted over the past few months and the initial response to retail sales has been remarkable. One Tokyo supermarket sold two days' stocks (2.5 tons) of Calrose rice within two hours. The U.S. rice was priced at the equivalent of about \$1.65/lb., or less than two-thirds the price of comparable Japanese rice. FAS/Tokyo estimates that the Food Agency will have to make at least 350,000 tons of imported rice available to wholesalers each month to meet demand.

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## **Domestic Japanese Premium Rice Prices Increase 50 Percent**

Beikoku Data Bank, a rice market research agency, said Niigata rice rose 5-6,000 yen per bag last week alone, and now sells on the unofficial market for \$7,200 per ton, or 50 percent more than it did at the beginning of the year. This unofficial price is double the official market price because of limited availability. The strong demand for domestic rice may be due in part to the Food Agency's widely publicized concerns about mold and discoloration in some imported shipments. However, out of the 500,000 tons entering Japan so far, only 141 tons, or less than 1 percent was found to have mold or discoloration.

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## **India Bans Cotton Exports and Permits Duty-Free Imports**

The GOI recently imposed a ban on cotton exports, raising questions about India's reputation as a dependable supplier. The export embargo will force exporters to break contracts for about 200,000 bales. In addition, up to 500,000 bales will be allowed duty-free access for domestic use (imports for export processing were already duty-free). Demand for imports should be limited because domestic cotton prices are below landed prices for most imports.

# ...Trade Policy Updates

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## **Dairy Exports To Colombia**

The Government of Colombia (GOC) began to approve imports of dairy products, including powdered milk, on Feb. 8, 1994. On July 27, 1993, the GOC had stopped indefinitely the importation of all dairy products by not approving import licenses. The GOC stopped approving import licenses for milk products because of the large increase in domestic milk production in 1993 due to favorable weather. Import licenses for dairy products are now granted automatically. The United States exported \$16.2 million of dairy products to Colombia in 1992.

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## **Japanese Apple Growers Outraged Over Expected American Imports**

Apple growers staged a protest warning that "cheap" imports would destroy domestic production. They accused the Japanese government of neglecting domestic producers by lifting the ban on apples without taking sufficient precautions. They said the current quarantine system does not prevent infested imports, a standard scare tactic by Japanese producers when faced with the possibility of new imports. To end the decades-long apple dispute, Tokyo said it would import U.S. apples this fall, after quarantine revisions. Japanese apples sell for roughly \$3 to \$5 each in Japan. U.S. apples should be priced substantially below the Japanese apple price once they gain entry into the market.

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## **Rice Shortages Forced the Japanese to Order the Blending of Imported and Domestic Rice**

The Japanese Food Agency ordered retailers to blend Japanese rice with the very unpopular Thai long-grain rice in order to reduce shortages and hoarding of domestic Japanese rice. Apparently, long lines outside supermarkets and rice retailers developed as people sometimes wait for hours to purchase rice. Un-blended Japanese rice is now available only on the black market, which currently handles 30-40% of the trade. The panic purchasing and hoarding began last week when the Food Agency said it was changing the ratio of domestic to imported rice sold to wholesalers from a 50-50 to a 30-70 ratio. The rice shortage problem is compounded by Japanese import procedures that are slowing delivery of American short-grain rice, that is very similar to the Japanese variety and has greater acceptance by consumers.

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## **Italy Releases U.S. Softwood Lumber Products**

On March 10, Italian officials released U.S. shipments of softwood lumber products. Italian officials refused entry of U.S. shipments with official phytosanitary certificates dated after 1 January 1994. Although Italian officials admitted that there was no plant health risk, they cited a technical discrepancy in the EU Plant Health Directive as the basis for their action. Approximately \$10 million of U.S. exports of softwood lumber products were detained at various Italian ports. USDA offices in Rome and Brussels delivered a demarche which generated Commission action and the release of the shipments.

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## **Thai Government To Implement A Broiler Export Promotion Program**

In an attempt to regain price competitiveness in the international market, the GOT will pay broiler exporters 680 baht/ton for exported broiler meat. This program is expected to offset increased Thai production costs. The Thai broiler industry sought suspension of a surcharge on imported feeds that drove up feed costs and export broiler prices.

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## ...Trade Policy Updates

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### **EU to Close Corn Enlargement Tender**

On March 10, the EU Commission decided to close the corn tender under the U.S. - EU Enlargement Agreement, due to the difficulty in filling the tender with U.S. corn. It is unclear when a new tender will open for the remaining quantity (198,500 tons out of 1.2 million tons). However, by the time a new tender is announced, total imports of non-grain feed ingredients should be known, so that the new tender can also cover any additional quantities not included in the original tender. [Note: The U.S. - EU Enlargement Agreement ensures minimum annual Spanish purchases of 2 million tons of corn and 300,000 tons of sorghum, minus certain non-grain feed ingredients.]

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### **EU Opens New Tender Under The Blair House Agreement**

On March 10, the Grain Management Committee opened a new tender for 100,000 tons of corn to be imported into Portugal under the Blair House Agreement. This action follows the decision by the Portuguese intervention agency to handle only 250,000 tons of corn instead of 350,000 tons out of the 500,000 tons corn import quota. It appears that the Portuguese intervention agency anticipates problems selling the corn. (Note: the EU Commission originally split the 500,000 tons purchasing commitment between the Portuguese intervention agency (350,000 tons) and the tendering system (150,000 tons).

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### **Aflatoxin Limits Dropped by CODEX**

The Codex Committee on Food Additives and Contaminants rejected new international limits on aflatoxin in dairy feed and milk during its recent session at The Hague. The proposals would have established aflatoxin limits for dairy feeds at five parts per billion and milk at 0.05 ppb. The U.S. delegation which included Roy Barrett, OFSTS and Dick Ronk, FDA led the opposition to the proposals. The new U.S. risk assessment conducted by FDA confirmed current U.S. levels of 20 ppb for dairy feed and 0.5 ppb for milk as safe. The committee decided to withhold further action on the milk proposal pending reevaluation of aflatoxin toxicity and abandoned entirely efforts to establish limits for dairy feed.

# Market Updates

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## **Iraq Seeks Alternative Wheat Suppliers**

For the first time in over 18 months Iraq is seeking offers for optional origin wheat. The significance of this tender is that over the past 18 months Iraq has purchased wheat only from Australia as part of a bilateral agreement. The quantity sought is 50,000 tons, in two cargoes of 25,000 tons each, for March and first half April delivery. Trade sources were unclear if this represents a new Iraqi trade pattern or a ploy in negotiations with the Australian Wheat Board. Iraq's 1993/94 wheat imports are forecast at 500,000 tons for the international marketing year.

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## **Limited Exportable Supplies of Durum From EU in 1994/95**

French durum wheat supplies are not expected to recover much in 1994, so U.S. producers/exporters will likely face another year with little export competition from the European Union in 1994/95. Although intervention stocks are virtually depleted throughout the EU, tight supplies and high prices apparently are not sufficient to stimulate French production. Preliminary reports indicate only slight recovery is expected in French planted area, after last year's 50 percent drop caused by sharply lower support levels under CAP reform. Consequently, whereas EU export licenses for durum and seminola have dropped from 3 million tons to 500,000 tons this year, they could fall even further in 1994/95.

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## **Further Reductions in Projected Oilseed and Product Exports For FY 1994**

Projected exports of oilseeds and oilseed products in FY 1994 have been lowered again, down to 30.6 million tons, or 14 percent off FY 1993 exports of 35.7 million tons. Last month these same exports had been projected to reach 31 million tons. The principal reasons for the further decline are additional downward revisions in U.S. oilseed production, and smaller than expected exports in November 1993. The decline in the forecast value of oilseed and products exports, at \$8.1 million is two percent below the total value of FY 1993 exports of \$8.3 million. The decline in value of oilseed and product exports is expected to be less severe than the volume decline due to higher U.S. and world prices.

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## **Hail Storm Batters New Zealand Apple Crop**

The New Zealand 1994 apple crop has been reduced by a severe hail storm in the major producing region of Hawkes Bay, where about 50 percent of the total crop is normally produced, according to the Agricultural Attache in Wellington. New Zealand is a major apple producer and exporter and this year's Southern Hemisphere crop is just now arriving on international markets. Preliminary estimates indicate that the hail damage may have destroyed up to half the Bay's export apple crop, and, as a result, New Zealand's total exports for 1994 are forecast to drop from 240,000 tons to 200,000 tons. This development provides a potential opportunity for increased U.S. apple exports to the Pacific Rim, the EU, and possibly even New Zealand itself. The United States competes with New Zealand in these markets for Braeburn, Gala, Red Delicious, Fuji, Empire, and MacIntosh apple varieties. Prices and supply should remain stable in these markets, despite the New Zealand shortfall, because of excellent U.S. production during 1993.

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## **Philippines to Import Feed Grains**

The Philippines has announced plans to temporarily relax their ban on corn and feed wheat imports due to tight feed grain supplies prior to the July harvest. The announcement could result in imports of 100,000 tons of either corn or feed wheat, most likely for April arrival. Imports of corn have been prohibited since 1991, feed wheat since 1993.

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## ...Market Updates

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### **Russia's Latest Veterinary Regulations Stop U.S. Pork Exports**

The Russian Federation has again imposed new veterinary inspection requirements for fresh/chilled/frozen (f/c/f) pork imports. The latest regulation requires a Russian veterinarian to be present in the United States to inspect and approve all f/c/f pork shipments for export to Russia. The Russian authorities have indicated the U.S. government or U.S. exporters would have to assume the costs associated with this regulation. Absent a resolution to this issue, all U.S. f/c/f pork exports to Russia cease after March 1. Pork shipments on the water before March 1 will be allowed entry provided they clear Russian Customs by April 1 and are accompanied by the appropriate documentation.

### **EU Pork Sale to Russia Completed**

On February 19, the European Commission lifted the special refund of 700 ECU/ton (\$938/ton) on exports of pork carcasses to Russia after granting licenses for the full 40,000 tons within three weeks of the initial announcement. As a result of the extraordinary attractiveness of the special refund, applications were more than one hundred times the quantity available. Since June 1993, the EU has provided special export refunds for a total of 100,000 tons of pork to Russia.

According to a Commission official, about 60 percent of the licenses have been taken by German traders, 30 percent by French traders and 10 percent by others, mainly Dutch and Belgian traders. Germany has been battling serious outbreaks of hog cholera since October 1993, while France faces record pork production.

### **Canadian Wheat Board Lacks Power to Prevent Grain Sales to U.S.**

According to Canadian sources, the CWB is helpless to stop wheat and barley exports to the United States undertaken in violation of Canadian law. The Chief Commissioner of the CWB said that they can no longer enforce the provision of the CWB act requiring permits for exporters of prairie grain from the CWB.

Historically, commercial trucks leaving Canada with grain destined for the United States, filed permits with Canadian Customs showing volume and type of goods shipped. Under the agreement to harmonize reporting, Canada now gets export information from U.S. Customs. Checking export permits now depends on the voluntary cooperation of the truckers.

The CWB says it will investigate illegal shipments, but enforceability remains a question, given large supplies of low-quality wheat and high U.S. feed grain prices.

### **Australia Initiates Feedlot Certification Program for Japanese Beef Market**

The Australian feedlot industry recently launched a certification program to ensure quality standards for Australian grain-fed beef exports to Japan. Although a quality control system has not yet been instituted and the new standards are similar to national guidelines, the certification program is another effort to improve grain-fed beef production in Australia. Despite the higher quality of Australian grain-fed cattle destined for Japan in recent years, which this program seeks to foster, Japanese purchasers report that unsustained supplies and handling difficulties remain troublesome. According to data compiled from the Japanese Ministry of Finance, Japanese beef imports from Australia grew 27 percent in 1993, nearly the same amount as those from the United States, approximately 286,000 tons.

## ...Market Updates

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### **French Bow to Section 301 Threat Related to Seafood Fiasco**

The French Government has agreed to relax its arbitrary trade restrictions on U.S. seafood and return to normal spot inspections that were in place prior to the February 1994 French fishermen protests. Following intensive negotiations with French Ministry of Trade and Agriculture (which reportedly included threat of quid-pro-quo retaliation under Section 301), U.S. Trade Representative Kantor announced preliminary agreement with France to resolve differences over regulatory standards on Friday, March 4. Concessions by the French to become effective on Monday, March 7 include: 1) firms under category "A" (those without a history of sanitary problems) will resume normal border inspection procedures; 2) Charles de Gaulle airport will reopen to fresh seafood entry; and 3) U.S. technical experts will be welcomed to determine if hygiene standards are properly applied at border points. Visiting experts are expected to return shortly to the United States to report to officials on their assessment of whether or not fair and expeditious treatment has resumed. In the meantime, little U.S. seafood is moving to the market as firms are taking wait-and-see approach.

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### **EU Enlargement Means More Coarse Grains Exports**

Eventual accession of Finland and Sweden by the European Union (EU) would mean at least 2 million tons more surplus coarse grain exports (barley and oats) that would need to be subsidized by the EU. Oats are not eligible for intervention support, but as part of the accession agreement, the EU has already agreed to subsidize Finnish oat exports. Although grain production in Finland and Sweden is not expected to rise, displacement of coarse grains by cheaper non-grain feed stuffs (corn gluten feed) in livestock rations would further increase exportable supplies.

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### **Strong Potential for Soybean exports to Pakistan**

The purchase of U.S. soybeans is likely in light of a pending decision by the Government of Pakistan (GOP) to eliminate import taxes on soybeans. According to a recent Attache report, Pakistan represents a potential 200,000 tons market for soybeans. Responding to oilseed crushers' demands, the GOP is apparently ready to eliminate import duties on soybeans, and reschedule producer loans on soybeans in order to encourage further production. A request by the same group that import duties on soybean meal be increased was reportedly denied. Currently, Pakistan has a \$15.5 million line of credit for soybeans (around 56,000 tons) under GSM-102.

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### **U.S. to Import Vietnamese Rice**

A U.S. company recently contracted to purchase 30,000 tons of Vietnamese rice, marking the first imports of rice from Vietnam since 1975, when 16 tons were imported. It is believed that not all of the 30,000 tons will be sold on the U.S. market, but that some will be re-exported to historical U.S. package-rice markets, in an effort to maintain market share in the face of extraordinarily high U.S. rice prices.

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### **Portugal Imports U.S. Corn**

Portugal purchased 120,000 tons of U.S. corn, the first sales since 1990/91, as a result of the recent EU approval of corn imports. The approval, for 150,000 tons, was granted under the 500,000-ton import quota established under the Blair House Agreement. Reportedly, Portugal purchased the 30,000-ton balance from China. The Portuguese feed industry strongly favors U.S. corn and additional U.S. sales are expected when the 350,000-ton balance under the import quota is announced.

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## ...Market Updates

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### **CVD Reduced On U.S. Imports of Canadian Live Swine**

On March 16, the Department of Commerce announced the final results of the 6th administrative review of the countervailing duty order on live swine from Canada. U.S. duties on the import of live Canadian hogs will drop to \$1.36 per hundred weight (Canadian), from the current \$9.32 per hundred weight (Canadian). All live swine, except breeding swine, from Canada are included under the duty, which is effective starting March 16, 1994. The new duty is based on subsidies paid to Canadian pork producers through federal and provincial programs during the period of April 1, 1990 through March 31, 1991. The new duty rate works out to be about three dollars per 220-pound market hog entering the U.S. The prior rate equaled about \$18 per 220-pound market hog. As a result, U.S. imports of live hogs from Canada are forecast to increase significantly in 1994.

The next U.S. review of Canadian subsidies is underway, with a preliminary report to be made in June. However, any changes in the duty that are recommended will not take force until the fall of 1994. The current review will look at Canadian subsidies during 1991-1993.

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### **India Almond Issue Moves Toward Possible Resolution**

Following discussions with GOI officials in New Delhi, Washington, and Geneva, there are indications that the recent action taken by the GOI on almond import duties will soon be corrected. On March 1, the GOI increased the duty on inshell almonds from its bound level of 55 Rupees (Rs.)/kilogram (kg) to 60 Rs./kg. At the same time, the tariff on shelled almonds was reduced 20 percent to a level of 80 Rs./kg. Aside from the issue of the broken binding, the tariff adjustments threaten to harm U.S. trading interests by shifting purchasing away from inshell almonds, which account for the bulk of U.S. almond exports to this market, to the shelled product, much of which is sourced from Iran, Pakistan, and Afghanistan. The USG does not oppose the reduction on the shelled rate, but rather has requested the GOI to make a corresponding reduction in the inshell duty to maintain the longstanding margin between the inshell and shelled tariff rates. Key meetings are scheduled for early next week in New Delhi where it is hoped the issue will be definitively resolved.

# U.S. Exports of Agricultural, Fish & Wood Products to All Countries

Calendar Years 1989 to 1994 and Year-to-Date Comparisons

(thousands of dollars)

Product	Calendar Years					January		% Chg
	1989	1990	1991	1992	1993	1993	1994	
<b>Bulk Agricultural Total</b>	22,813,257	20,232,083	18,348,386	19,687,248	18,593,458	1,801,923	1,738,062	-3.5
Wheat	5,886,505	3,839,037	3,292,138	4,449,324	4,664,582	404,355	392,585	-2.9
Coarse Grains	7,738,137	7,036,717	5,722,597	5,736,599	5,000,598	479,660	386,729	-19.4
Rice	971,123	801,527	753,557	726,072	771,312	47,520	70,026	47.4
Soybeans	3,942,468	3,549,508	3,956,443	4,380,402	4,598,746	539,418	513,815	-4.7
Cotton	2,268,501	2,798,495	2,491,999	2,010,338	1,540,678	159,514	207,365	30.0
Tobacco	1,301,173	1,441,116	1,427,631	1,650,559 *	1,306,067	120,193	110,545	-8.0
Pulses	298,404	353,111	268,414	191,656	213,254	14,178	17,113	20.7
Peanuts	192,670	203,373	180,304	240,308	204,576	14,715	13,876	-5.7
Other Bulk Commodities	214,275	209,199	255,304	301,989	293,645	22,370	26,009	16.3
<b>Intermediate Agricultural Total</b>	8,645,875	8,573,907	8,789,224	9,231,134 *	8,973,466	833,122	841,012	0.9
Wheat Flour	257,937	182,956	184,256	184,317	205,729	10,461	23,612	125.7
Soybean Meal	1,212,295	1,005,103	1,155,307	1,294,722	1,132,041	129,762	99,083	-23.6
Soybean Oil	358,723	312,930	222,126	376,202	363,897	32,715	32,130	-1.8
Other Vegetable Oils	423,994	394,790	418,144	502,732	543,897 *	40,624	39,010	-4.0
Feeds & Fodders (excl. pet foods)	1,596,995	1,572,369	1,605,732	1,722,327	1,744,163 *	167,751	153,663	-8.4
Live Animals	490,501	513,783	686,563 *	607,891	518,927	39,781	54,370	36.7
Hides & Skins	1,696,164	1,729,731	1,357,570	1,326,054	1,268,658	112,725	116,600	3.4
Animal Fats	510,153	428,729	426,824	515,214	501,702	36,471	48,693	33.5
Planting Seeds	510,214	588,723	671,655	675,011 *	619,359	85,802	93,590	9.1
Sugars, Sweeteners & Bever. Bases	409,198	572,052	634,101	573,921	567,807	42,089	45,364	7.8
Other Intermediate Products	1,179,702	1,272,743	1,426,946	1,452,744	1,507,288 *	134,941	134,896	-0.0
<b>Consumer-Oriented Agricultural Total</b>	8,379,789	10,465,615	11,967,920	13,895,994	14,911,316 *	1,032,370	1,157,291	12.1
Snack Foods (excluding nuts)	364,429	530,125	633,040	829,679	1,024,643 *	71,178	80,117	12.6
Breakfast Cereals & Pancake Mix	91,881	157,882	216,802	219,762	252,993 *	21,848	22,188	1.6
Red Meats, Chilled/Frozen	2,213,602	2,394,495	2,660,267	3,112,361 *	3,055,222	217,759	223,975	2.9
Red Meats, Prepared/Preserved	100,638	135,998	165,101	181,562	220,038 *	12,926	18,529	43.3
Poultry Meat	509,426	672,888	817,913	928,464	1,100,613 *	74,334	88,694	19.3
Dairy Products	430,741	328,053	462,956	793,754	857,487 *	73,311	65,556	-10.6
Eggs & Products	90,685	101,979	143,367	139,234	139,438	10,362	10,898	5.2
Fresh Fruit	1,134,657	1,486,489	1,561,053	1,683,344	1,707,147 *	101,917	131,340	28.9
Fresh Vegetables	356,015	728,648	832,935	899,624	985,953 *	75,580	77,818	3.0
Processed Fruit & Vegetables	1,003,616	1,246,753	1,394,490	1,558,121	1,639,583 *	114,838	121,489	5.8
Fruit & Vegetable Juices	291,248	375,497	385,414	461,017	469,517 *	31,200	31,363	0.5
Tree Nuts	683,332	801,120	867,704	928,531	998,246 *	59,564	89,777	50.7
Wine and Beer	206,095	266,202	315,756	369,181	379,301 *	21,545	24,214	12.4
Nursery Products & Cut Flowers	104,887	186,741	201,442	201,321	209,397 *	15,345	13,990	-8.8
Pet Foods, Dog/Cat	175,539	244,038	329,772	399,630	497,621 *	33,482	38,483	14.9
Other Consumer-Oriented Products	622,997	808,706	979,907	1,190,410	1,374,116 *	97,182	118,860	22.3
<b>Wood Products Total</b>	6,013,514	6,481,227	6,429,179	6,741,685	7,281,313 *	559,598	518,146	-7.4
Logs	2,368,026	2,388,921 *	2,074,432	2,140,010	2,489,560 *	178,111	147,972	-16.9
Lumber	2,040,251	2,127,895	2,203,353	2,322,491	2,449,643 *	183,933	195,539	6.3
Plywood & Panel Products	642,703	769,983	735,227	847,867	906,397 *	85,586	73,078	-14.6
Other Wood Products	962,534	1,194,428	1,416,167	1,431,317	1,435,714 *	111,968	101,557	-9.3
<b>Fish &amp; Seafood Products Total (Edible)</b>	2,283,151	2,776,759	3,035,383	3,353,935 *	2,959,086	150,669	104,067	-30.9
Salmon, Whole/Viscerated	729,294	666,582	436,975	681,663	583,060	10,474	6,388	-39.0
Salmon, Canned	89,744	104,276	133,644	154,401	160,416 *	10,010	7,598	-24.1
Crab & Crabmeat	253,674	363,251	431,411	448,050 *	417,660	38,722	9,735	-74.9
Surimi (fish paste)	N/A	N/A	N/A	367,627 *	274,322	10,419	3,926	-62.3
Roe & Urchin	263,246	289,458	389,031	421,396 *	415,319	18,206	20,339	11.7
Other Edible Fish & Seafood Products	947,192	1,353,193	1,644,322 *	1,280,798	1,108,309	62,837	56,082	-10.8
<b>Agricultural Product Total</b>	39,838,921	39,271,605	39,105,530	42,814,376	42,478,240	3,667,415	3,736,365	1.9
<b>Agricultural, Fish &amp; Wood Product Total</b>	48,135,586	48,529,591	48,570,092	52,909,996 *	52,718,639	4,377,682	4,358,578	-0.4

Note: (\*) Highest export level since at least 1970.

N/A = not available.

# U.S. Agricultural, Fish & Wood Product Exports by Major Commodity Group

## Monthly and Annual Performance Indicators

Export Values	January			October-January			Fiscal Year		
	1993	1994		FY '93	FY '94		1993	1994(f)	
	-\$Billion-		Change	-\$Billion-		Change	-\$Billion-		Change
Grains and Feeds 1/	1.246	1.170	-6%	5.157	4.965	-4%	14.332	13.7	-4%
Wheat & Flour	0.415	0.416	0%	1.711	1.628	-5%	4.954	4.3	-13%
Rice	0.048	0.070	47%	0.253	0.279	10%	0.768	1.1	43%
Coarse Grains 2/	0.480	0.387	-19%	1.986	1.800	-9%	5.094	4.7	-8%
Corn	0.389	0.326	-16%	1.674	1.581	-6%	4.251	4.0	-6%
Feeds & Fodders	0.201	0.192	-5%	0.752	0.788	5%	2.196	2.3	5%
Oilseeds and Products	0.810	0.755	-7%	3.091	3.081	0%	7.371	7.0	-5%
Soybeans	0.539	0.514	-5%	2.036	2.003	-2%	4.606	4.3	-7%
Soybean Cakes & Meals	0.130	0.099	-24%	0.474	0.429	-9%	1.146	0.9	-21%
Soybean Oil	0.033	0.032	-2%	0.124	0.160	29%	0.327	0.4	22%
Other Vegetable Oils	0.041	0.039	-4%	0.155	0.202	30%	0.496	NA	NA
Livestock Products	0.450	0.472	5%	2.021	2.043	1%	5.886	6.1	4%
Red Meats	0.212	0.226	7%	1.000	0.990	-1%	3.052	3.2	5%
Hides, Skins & Furs	0.113	0.117	3%	0.417	0.418	0%	1.271	1.3	2%
Poultry Products	0.096	0.112	17%	0.447	0.526	18%	1.315	1.4	6%
Poultry Meat	0.072	0.086	19%	0.334	0.418	25%	0.994	NA	NA
Dairy Products	0.074	0.082	11%	0.328	0.330	0%	0.891	0.9	1%
Unmanufactured Tobacco	0.120	0.111	-8%	0.578	0.431	-25%	1.443	1.2	-17%
Cotton and Linters	0.160	0.207	30%	0.541	0.592	9%	1.538	2.0	30%
Planting Seeds	0.086	0.094	9%	0.312	0.275	-12%	0.664	0.7	5%
Horticultural Products	0.496	0.582	17%	2.413	2.642	9%	7.299	7.7	5%
Sugar & Tropical Products	0.131	0.152	16%	0.586	0.680	16%	1.715	1.8	5%
Wood Products 4/	0.560	0.518	-7%	2.285	2.232	-2%	7.293	NA	NA
Fish and Seafood Products 4/	0.151	0.104	-31%	0.691	0.676	-2%	2.928	NA	NA
<b>Total Agriculture</b>	<b>3.667</b>	<b>3.736</b>	<b>2%</b>	<b>15.474</b>	<b>15.567</b>	<b>1%</b>	<b>42.454</b>	<b>42.5</b>	<b>0%</b>
<b>Total Agriculture, Fish &amp; Wood</b>	<b>4.378</b>	<b>4.358</b>	<b>0%</b>	<b>18.450</b>	<b>18.475</b>	<b>0%</b>	<b>52.675</b>	<b>NA</b>	<b>NA</b>

Export Volumes	--MMT--			--MMT--			--MMT--		
			Change			Change			Change
Grains and Feeds 1/	9.360	7.607	-19%	38.340	33.942	-11%	104.149	NA	NA
Wheat	3.033	2.976	-2%	12.584	12.093	-4%	36.081	31.5	-13%
Wheat Flour	0.045	0.115	155%	0.283	0.317	12%	1.067	1.1	3%
Rice	0.164	0.179	9%	0.809	0.890	10%	2.713	2.7	-0%
Coarse Grains 2/	4.803	3.067	-36%	19.858	15.678	-21%	50.100	39.1	-22%
Corn	3.890	2.571	-34%	16.723	13.684	-18%	41.766	33.0	-21%
Feeds & Fodders	1.145	1.102	-4%	3.998	4.202	5%	11.885	12.0	1%
Oilseeds and Products	3.360	2.608	-22%	12.955	11.048	-15%	29.408	24.1	-18%
Soybeans	2.426	1.932	-20%	9.386	7.915	-16%	20.400	16.5	-19%
Soybean Cakes & Meals	0.639	0.455	-29%	2.308	2.004	-13%	5.653	4.4	-22%
Soybean Oil	0.067	0.055	-18%	0.236	0.272	15%	0.644	0.6	-7%
Other Vegetable Oils	0.069	0.057	-17%	0.261	0.309	19%	0.824	NA	NA
Livestock Products 3/	0.208	0.207	-0%	0.974	0.960	-1%	2.811	NA	NA
Red Meats	0.064	0.074	14%	0.301	0.320	6%	0.903	1.0	11%
Poultry Products 3/	0.073	0.087	19%	0.332	0.431	30%	1.012	NA	NA
Poultry Meat	0.070	0.084	20%	0.318	0.419	32%	0.974	1.1	13%
Dairy Products 3/	0.044	0.046	2%	0.399	0.467	17%	0.467	NA	NA
Unmanufactured Tobacco	0.022	0.016	-26%	0.097	0.068	-29%	0.231	NA	NA
Cotton & Linters	0.121	0.164	35%	0.403	0.466	16%	1.163	1.5	29%
Planting Seeds	0.069	0.067	-3%	0.227	0.172	-24%	0.556	NA	NA
Horticultural Products 3/	0.441	0.465	5%	5.951	6.090	2%	6.090	6.7	10%
Sugar & Tropical Products 3/	0.107	0.094	-12%	1.102	0.910	-17%	0.910	NA	NA
<b>Total Agriculture 3/</b>	<b>13.81</b>	<b>11.36</b>	<b>-18%</b>	<b>60.78</b>	<b>54.56</b>	<b>-10%</b>	<b>146.80</b>	<b>127.1</b>	<b>-13%</b>

Notes: 1/ Includes pulses, corn gluten feed and meal; 2/ includes corn, oats, barley, rye and sorghum;

3/ includes only those items measured in metric tons; 4/ items not included in agricultural product totals.

FY 1994 forecasts (f) are based on USDA's "Outlook for Agricultural Exports," published February 25, 1994.

**U.S. Agricultural Export Value by Region**  
**Monthly and Annual Performance Indicators**

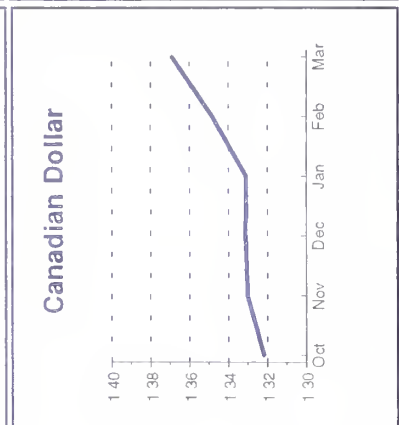
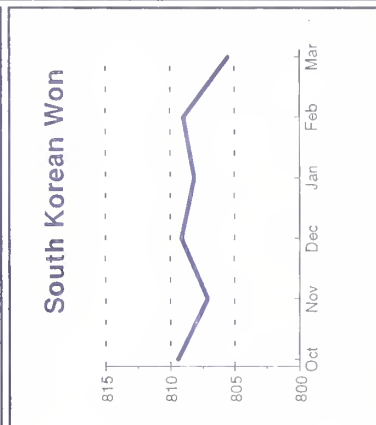
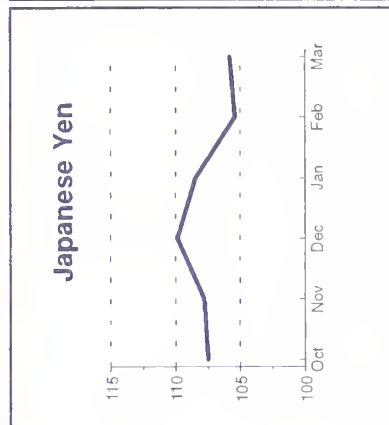
	January			October-January			Fiscal Year		
	1993	1994		FY '93	FY '94		1993	1994(f)	
	-\$Billion-		Change	-\$Billion-		Change	-\$Billion-		Change
<b>Western Europe</b>	0.875	0.742	-15%	3.342	3.036	-9%	7.439	7.3	-2%
European Union 1/	0.839	0.704	-16%	3.174	2.860	-10%	6.964	6.8	-2%
Other Western Europe	0.037	0.038	3%	0.167	0.176	5%	0.475	0.5	5%
<b>Eastern Europe</b>	0.040	0.032	-19%	0.180	0.137	-24%	0.465	0.4	-14%
<b>Former Soviet Union</b>	0.067	0.098	45%	0.542	0.833	54%	1.435	1.3	-9%
<b>Asia</b>	1.352	1.433	6%	5.586	5.841	5%	15.866	16.4	3%
Japan	0.653	0.719	10%	2.760	3.090	12%	8.430	9.1	8%
China	0.039	0.018	-54%	0.075	0.109	45%	0.317	0.3	-5%
Other East Asia	0.421	0.466	11%	1.831	1.807	-1%	4.932	5.0	1%
Taiwan	0.155	0.204	32%	0.724	0.817	13%	1.998	2.1	5%
South Korea	0.207	0.197	-5%	0.786	0.666	-15%	2.041	1.9	-7%
Hong Kong	0.058	0.066	12%	0.320	0.323	1%	0.878	0.9	3%
Other Asia	0.239	0.230	-4%	0.920	0.836	-9%	2.187	2.1	-4%
Pakistan	0.057	0.037	-35%	0.167	0.098	-41%	0.236	0.3	27%
Philippines	0.037	0.048	30%	0.213	0.190	-11%	0.511	0.6	17%
<b>Middle East</b>	0.149	0.147	-1%	0.610	0.684	12%	1.856	2.0	8%
Israel	0.012	0.045	259%	0.123	0.123	0%	0.363	0.4	10%
Saudi Arabia	0.040	0.047	17%	0.170	0.195	14%	0.429	0.5	17%
<b>Africa</b>	0.237	0.243	3%	0.993	0.797	-20%	2.593	2.4	-7%
North Africa	0.135	0.186	38%	0.532	0.550	3%	1.587	1.6	1%
Egypt	0.053	0.065	22%	0.272	0.203	-26%	0.727	0.7	-4%
Algeria	0.040	0.089	125%	0.136	0.237	75%	0.428	0.5	17%
Sub-Saharan Africa	0.101	0.057	-44%	0.461	0.247	-46%	1.006	0.8	-20%
<b>Latin America</b>	0.526	0.615	17%	2.252	2.253	0%	6.813	6.9	1%
Mexico	0.294	0.346	18%	1.133	1.126	-1%	3.621	3.9	8%
Other Latin America	0.232	0.269	16%	1.119	1.126	1%	3.192	3.0	-6%
Brazil	0.018	0.033	88%	0.114	0.095	-17%	0.231	0.2	-13%
Venezuela	0.036	0.039	8%	0.168	0.153	-9%	0.498	0.4	-20%
<b>Canada</b>	0.390	0.382	-2%	1.645	1.688	3%	5.202	5.4	4%
<b>Oceania</b>	0.032	0.045	44%	0.153	0.182	19%	0.453	0.4	-12%
<b>World Total</b>	3.667	3.736	2%	15.474	15.567	1%	42.454	42.5	0%

Notes: 1/ Formerly known as the European Community (EC-12).

FY 1994 forecasts are based on USDA's "Outlook for U.S. Agricultural Exports," published February 25, 1994.

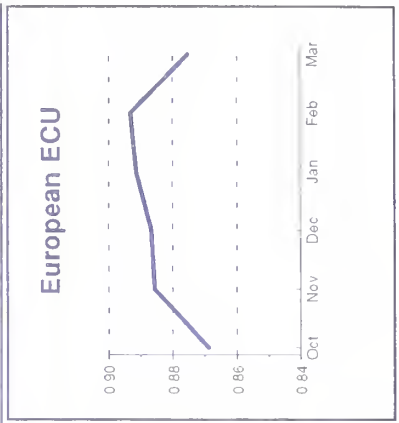
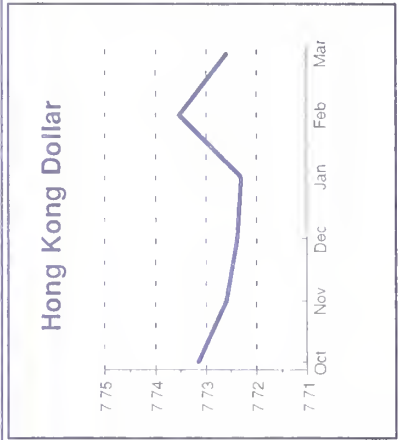
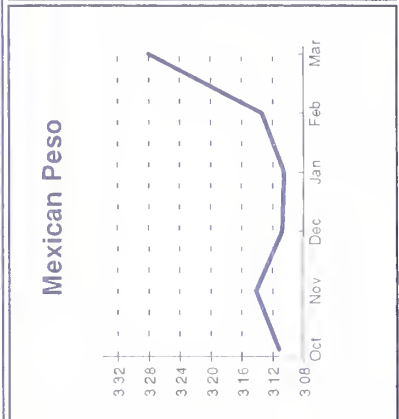


# Exchange Rate Movements Of Major World Currencies Vis-a-Vis U.S. Dollar -- Daily Spot Quotations & Monthly Averages



Currencies	Current Rate 3/17/94	Month Ago 2/17/94	Year Ago 3/93	% Change Year Ago 3/93
Argentine Peso	.99	.99	.99	0.00
Australian Dollar	1.4015	1.399	1.4102	0.62
Brazilian Cruzeiro real	771.75	564.82	217.32	255.12
Canadian Dollar	1.3688	1.3465	1.2515	9.37
Hong Kong Dollar	7.7260	7.7375	7.7350	-0.12
Japanese Yen	105.80	104.19	117.27	-9.78
Mexican Peso	3.28	3.10	3.12	5.13
Taiwan Dollar	26.39	26.42	25.82	2.21
South Korean Won	805.50	810.65	792.30	1.67
European ECU	.88535	.88786	.79230	3.32
-British Pound	.6700	.6761	.6887	-2.72
-French Franc	5.7538	5.8455	5.6475	1.88
-West German Mark	1.6893	1.7178	1.6620	1.64

NOTE: Exchange rates are daily spot quotes as of 3:00 PM Eastern Time, March 17, 1994.  
Source: TEID/ITP/FAS Exchange Rate Database and Wall Street Journal.



# UNITED STATES DEPARTMENT OF AGRICULTURE

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